



## Big 5 False Bay Municipality

Audited Annual Financial Statements  
for the year ended 30 June 2010



# **BIG 5 FALSE BAY MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

### **TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| General Information                      | 2           |
| Accounting Officer's Approval            | 3           |
| Statement of Financial Position          | 4           |
| Statement of Financial Performance       | 5           |
| Statement of changes in Net assets       | 6           |
| Cash Flow Statement                      | 7           |
| Accounting Policies                      | 8-18        |
| Notes to the Annual Financial Statements | 19-31       |
| Appendix B                               | 32-33       |
| Appendix C                               | 34          |
| Appendix D                               | 35          |

# Big 5 False Bay Municipality

Annual Financial Statements for the year ended 30 June 2010

## General Information

### Mayoral Committee

Mayor

CT Khumalo

Councillors

GJ Mthethwa

FZ Nkwanyana

MH Mkhize

NC Mcambi

MA Mtshali

PM Mdluli

### Grading of local municipality

Low Capacity Municipality

### Accounting Officer

MA Mngadi

### Auditors

The Auditor-General

Private Bag X9034

PIETERMARITZBURG

3200

### Lawyers

Duvenage Incorporated

Old Main Road

Hluhluwe

3960

### Chief Financial Officer

MSI Mkhwanazi

### Business address

163 Zebra Street

Hluhluwe

3960

### Postal address

P. O. Box 89

Hluhluwe

3960

### Bankers

First National Bank of SA

Big 5 False Bay Municipality

Annual Financial Statements for the year ended 30 June 2010

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that financial statements fairly represent the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognized Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal and financial controls established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is the identification, assessment, management and monitoring of all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The annual financial statements set out on pages..... to ..... which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2010 and were signed on its behalf by:

.....  
**Mr. M A Mngadi**  
**Municipal Manager**

**BIG 5 FALSEBAY MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

|   | Note | 2010<br>R         | Restated<br>2009<br>R |
|---|------|-------------------|-----------------------|
| <b>NET ASSETS AND LIABILITIES</b>       |      |                   |                       |
| <b>NET ASSETS</b>                       |      | <b>34 484 558</b> | <b>10 031 525</b>     |
| Accumulated Surplus/ (Deficit)          |      | 34 484 558        | 10 031 525            |
| <b>NON CURRENT LIABILITIES</b>          |      | <b>-</b>          | <b>-</b>              |
| Long Term Liabilities                   |      | -                 | -                     |
| Non-Current Provisions                  |      |                   |                       |
| <b>CURRENT LIABILITIES</b>              |      | <b>12 647 890</b> | <b>13 336 859</b>     |
| Provisions                              | 21   | 1 500 897         | 386 110               |
| Unspent Conditional Grant and Receipts  | 22   | 4 920 635         | 5 829 265             |
| Trade and other Payables                | 20   | 6 226 357         | 7 121 484             |
| <b>TOTAL NET ASSETS AND LIABILITIES</b> |      | <b>47 132 448</b> | <b>23 368 383</b>     |
| <b>ASSETS</b>                           |      |                   |                       |
| <b>NON- CURRENT ASSETS</b>              |      | <b>40 170 568</b> | <b>14 309 056</b>     |
| Property, Plant and Equipment           | 18   | 39 920 073        | 14 207 197            |
| Intangible Assets                       | 19   | 250 495           | 77 988                |
| Long term debtors                       |      |                   | 23 871                |
| <b>CURRENT ASSETS</b>                   |      | <b>6 961 880</b>  | <b>9 059 327</b>      |
| Trade and other Receivables             | 3    | 2 887 925         | 4 226 986             |
| Vat recievables                         | 4    | 9 843             | 865 995               |
| Cash and cash equivalents               | 1    | 3 425 268         | 1 309 751             |
| Short Term Investments                  | 2    | 638 844           | 2 656 595             |
|   |      | <b>47 132 448</b> | <b>23 368 383</b>     |

**BIG 5 FALSE BAY MUNICIPALITY**
**STATEMENT OF FINANCIAL PERFORMANCE**
**FOR THE YEAR ENDED 30 JUNE 2010**

|  | Note               | Actual<br>2010<br>R | Restated<br>2009<br>R |
|--|--------------------|---------------------|-----------------------|
| <b>REVENUE</b>                         |                    |                     |                       |
| Property Rates                         | <a href="#">5</a>  | 3 068 478           | 1 840 245             |
| Rates penalties                        | <a href="#">9</a>  | 143 342             | 436 931               |
| Services charges                       | <a href="#">6</a>  | 1 218 465           | 458 176               |
| Rental of facilities and Equipment     | <a href="#">7</a>  | 162 815             |                       |
| Interest earned external investment    | <a href="#">8</a>  | 284 059             | 582 818               |
| Fines                                  |                    | 4 157               | 1 000                 |
| Government Grants & Subsidies          | <a href="#">10</a> | 19 460 238          | 9 905 655             |
| Other                                  |                    | 41 173              | 441 734               |
| Non Refundable Deposit on sale of land |                    | 484 504             | 270 500               |
| <b>TOTAL REVENUE</b>                   |                    | <b>24 867 231</b>   | <b>13 937 059</b>     |
| <b>EXPENDITURE</b>                     |                    |                     |                       |
| Employee Related Costs                 | <a href="#">11</a> | 6 333 373           | 5 407 712             |
| Remuneration of Councillors            | <a href="#">11</a> | 1 543 562           | 1 316 257             |
| Depreciation                           | <a href="#">13</a> | 1 032 414           | 5 634 638             |
| General expenses                       | <a href="#">15</a> | 4 702 785           | 6 941 972             |
| Repairs and maintenance                |                    | 158 837             | 356 159               |
| Finance Costs                          | <a href="#">14</a> | 69 693              | 3 632                 |
| Contracted Services                    |                    | 2 170 240           | 2 431 230             |
| Grant Expenditure                      |                    | 3 133 327           | 3 597 222             |
| <b>Total Expenditure</b>               |                    | <b>19 144 231</b>   | <b>25 688 822</b>     |
| <b>Net Surplus/ (Deficit)</b>          |                    | <b>5 722 999</b>    | <b>(11 751 763)</b>   |
|  |                    |                     |                       |

**BIG 5 FALSEBAY MUNICIPALITY**

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2010

[illegible]



# CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

## CASH FLOW FROM OPERATING ACTIVITIES

Cash receipts from ratepayers, government grants and other  
Cash paid to suppliers and employees  
Cash generated from operations

Interest received  
Interest paid  
Operating grants receipts

### Net cash flows from operating activities

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment

### Net cash flows from investing activities

## CASH FLOWS FROM FINANCING ACTIVITIES

(Increase)/Decrease in investments

### Net cash flows from financing activities

## NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

| Note | 2010<br>R           | 2009<br>R          |
|------|---------------------|--------------------|
|      | 45 532 291          | 16 479 932         |
|      | (18 731 093)        | (21 370 525)       |
| 16   | 26 801 198          | (4 890 593)        |
|      | 284 059             | 582 818            |
|      | (69 693)            | (3 632)            |
|      |                     |                    |
|      | <b>27 015 564</b>   | <b>(4 311 407)</b> |
|      |                     |                    |
|      | (26 917 797)        | (3 854 132)        |
|      |                     |                    |
|      | <b>(26 917 797)</b> | <b>(3 854 132)</b> |
|      |                     |                    |
|      | 2 017 751           | 301 134            |
|      |                     |                    |
|      | <b>2 017 751</b>    | <b>301 134</b>     |
|      |                     |                    |
|      | <b>2 115 518</b>    | <b>(7 864 405)</b> |
|      |                     |                    |
|      | 1 309 751           | 9 174 156          |
| 1    | 3 425 268           | 1 309 751          |
|      | <b>2 115 518</b>    | <b>(7 864 405)</b> |

## BASIS OF ACCOUNTING

### 1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

|          |  |
|----------|--|
| GRAP 1   | Presentation of Financial Statements                             |
| GRAP 2   | Cash Flow Statement  |
| GRAP 3   | Accounting Policies , Changes in Accounting Estimates and Errors |
| GRAP 4   | The Effects of Changes in Foreign Exchange Rates                 |
| GRAP 5   | Borrowing Costs  |
| GRAP 6   | Consolidated and Separate Financial Statements                   |
| GRAP 7   | Investments in Associates  |
| GRAP 8   | Investments in Joint Ventures                                    |
| GRAP 9   | Revenue from Exchange Transactions                               |
| GRAP 10  | Financial Reporting in Hyperinflationary Economies               |
| GRAP 11  | Construction Contracts   |
| GRAP 12  | Inventories  |
| GRAP 13  | Leases   |
| GRAP 14  | Events After the Reporting Date                                  |
| GRAP 16  | Investment Properties  |
| GRAP 17  | Property, Plant and Equipment                                    |
| GRAP 19  | Provisions, Contingent Liabilities and Contingent Assets         |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations     |
| GRAP 101 | Agriculture  |
| GRAP 102 | Intangible Assets  |

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below as per Directive 4.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2010**

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

|          |   |
|----------|---|
| GRAP 18  | Segment Reporting - issued March 2005                             |
| GRAP 21  | Impairment of Non-Cash-generating-assets - issued March 2009      |
| GRAP 23  | Revenue from Non-Exchange Transactions - issued February 2008     |
| GRAP 24  | Presentation of Budget Information - issued November 2007         |
| GRAP 26  | Impairment of Cash-generating-assets - issued March 2009          |
| GRAP 103 | Heritage Assets - issued July 2008                                |
| IAS 19   | Employee Benefits - effective 1 January 2009                      |
| IFRIC 17 | Distribution of Non-cash Assets to Owners - effective 1 July 2009 |

**PROPERTY, PLANT AND EQUIPMENT**

**2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
for the year ended 30 June 2010

**2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**2.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**2.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

|                         | <u>Years</u> | <u>Other</u>                       | <u>Years</u> |
|-------------------------|--------------|------------------------------------|--------------|
| <b>Infrastructure</b>   |              |                                    |              |
| Roads and Paving        | 30           | Buildings                          | 30           |
| Pedestrian Malls        | 30           | Specialist vehicles                | 10           |
| Electricity             | 20-80        | Other vehicles                     | 5            |
|                         |              | Office equipment                   | 3-7          |
|                         |              | Furniture and fittings             | 7-10         |
|                         |              | Watercraft                         | 15           |
| <b>Community</b>        |              | Bins and containers                | 5            |
| Buildings               | 30           | Specialised plant and equipment    | 10-15        |
| Recreational Facilities | 20-30        | Other items of plant and equipment | 2-5          |
| Security                | 5            | Landfill sites                     | 25           |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

**2.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2010**

**INTANGIBLE ASSETS**

**3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

**3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

|                   |         |
|-------------------|---------|
| Computer software | 5 years |
|-------------------|---------|

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

## **BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**

### **ACCOUNTING POLICIES**

**for the year ended 30 June 2010**

#### **3.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **INVESTMENT PROPERTY**

##### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

##### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2010**

**5 INVESTMENTS**

Investments, which include listed, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**6 RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**7 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2010**

**8 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**11 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**12 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned;- the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



## **BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**

### **ACCOUNTING POLICIES for the year ended 30 June 2010**

#### **13 COMPARATIVE INFORMATION**

##### **Prior Year Comparatives**

When presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are restated. The nature and reason for the reclassification is disclosed. When there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparative is restated accordingly.

##### **Current Year Comparatives**

Budgeted amount have been included in Note 28 to these financial statements for current financial year only.

#### **14 LONG SERVICE AWARD**

Provision for the long service awards represents the present value of the estimated future cash outflows to be made by the municipality resulting from employee service provided up to Statement of Financial Position date. The provision comprise amounts that the municipality has present obligation to pay resulting from employees services provided up to Statetement of Financial Position date.

#### **15 REVENUE FROM EXCHANGE TRANSACTIONS**

##### **REVENUE**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

#### **16 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2010**

**17 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**18 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**19 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

**20 OTHER POST RETIREMENT BENEFITS**

The municipality provides post-retirement health care benefits to their retirees. The entitlement of these benefits is usually conditional on the employees remaining in service up to retirement age and the completion of the minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined pension benefit plans. Actuarial gains and losses arising from experience adjustment, and changes in actuarial assumption, are charged or credited to revenue over the expected average remaining lives of the relevant employees to the extent which they exceed the 10% corridor.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2010**

**21 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**BIG 5 FALSE BAY MUNICIPALITY MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2010**

**22.TRANSITIONAL PROVISIONS**

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

|          |   |
|----------|---|
| GRAP 1   | Presentation of Financial Statements - paragraphs 7-8A                      |
| GRAP 9   | Revenue from Exchange Transactions - paragraphs 37-38                       |
| GRAP 17  | Property, Plant and Equipment - paragraphs 73-83                            |
| GRAP 19  | Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E |
| GRAP 102 | Intangible Assets - paragraph 110-118                                       |















## CASH AND CASH EQUIVALENTS

### 1 Cash and cash equivalents consist of the following:

|  |                  |                  |
|--|------------------|------------------|
| Cash on hand (Petty cash)                              | 345              | 10 330           |
| FNB - Hluhluwe: 62022340385 (Main Bank Account)        | 482 389          | 111 299          |
| FNB - Hluhluwe : 62214360068                           | 1 534 671        | 1 176 104        |
| FNB - Hluhluwe: 62075347396                            | 12 267           | 12 018           |
| FNB - Hluhluwe: 62191984949 (Housing Development Fund) | 1 395 596        | -                |
|  | <b>3 425 268</b> | <b>1 309 751</b> |

### 2 Short Term Investments

|  |                |                  |
|--|----------------|------------------|
| ABSA - Pubsec Kzn: 9109586760              | 608 295        | 586 762          |
| First National Bank- Hluhluwe: 62174958276 | 30 549         | 106 952          |
| STD Bank                                   |                | 1 962 882        |
|  | <b>638 844</b> | <b>2 656 595</b> |

### 3 TRADE AND OTHER RECEIVABLES

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Consumer Debtors             | 3 840 147        | 1 621 442        |
| Debtors Prepayments          | 87 520           | 121 573          |
| Housing Debtors              |                  | 3 945 499        |
| Sundry Debtors               | 39 790           | 13 170           |
|                              | <b>3 967 457</b> | <b>5 701 684</b> |
| Less Provision for Bad debt  | 1 079 532        | 1 474 698        |
| <b>Total current debtors</b> | <b>2 887 925</b> | <b>4 226 986</b> |

#### Summary of Debtors by Customer Classification

|   | Consumers        | Industrial /<br>Commercial | National and<br>Provincial<br>Government | Total            |
|---|------------------|----------------------------|--|------------------|
| <b>as at 30 June 2010</b>                       |                  |                            |  |                  |
| Current (0 – 30 days)                           | 369 739          | 184 156                    | 59 970                                   | 613 864          |
| 31 - 60 Days                                    | 163 124          | 160 220                    | 22 168                                   | 345 512          |
| 61 - 90 Days                                    | 139 486          | 70 793                     | 17 329                                   | 227 608          |
| 91 - 120 Days                                   | 129 148          | 69 039                     | 17 329                                   | 215 516          |
| 121 - 365 Days                                  | 1 214 615        | 754 062                    | 556 489                                  | 2 525 167        |
| + 365 Days                                      |                  |                            |  |                  |
| Sub-total                                       | <b>2 016 112</b> | <b>1 238 269</b>           | <b>673 285</b>                           | <b>3 927 667</b> |
| Less: Provision for doubtful debts              | <b>668 778</b>   | <b>410 754</b>             | -  | <b>1 079 532</b> |
| <b>Total debtors by customer classification</b> | <b>1 347 334</b> | <b>827 515</b>             | <b>673 285</b>                           | <b>2 848 134</b> |

### 4 Other receivables

|                |              |                |
|----------------|--------------|----------------|
| Vat Receivable | <b>9 843</b> | <b>865 995</b> |
|----------------|--------------|----------------|

### 5 PROPERTY RATES

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Property Rates              | 3 068 478        | 1 840 245        |
| <b>Total property rates</b> | <b>3 068 478</b> | <b>1 840 245</b> |

### 6 SERVICE CHARGES

|                                 |                  |                |
|---------------------------------|------------------|----------------|
| Refuse removal                  | 1 218 465        | 458 176        |
| Sewerage and sanitation charges | -                | -              |
| <b>Total Service Charges</b>    | <b>1 218 465</b> | <b>458 176</b> |

**7 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities

**Total rentals**

*This relates to office buildings leased to ABSA Bank*

|                |          |
|----------------|----------|
| 162 815        | -        |
| <b>162 815</b> | <b>-</b> |

**8 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank

Financial assets

**Total interest**

|                |                |
|----------------|----------------|
| 284 059        | 582 818        |
| <b>284 059</b> | <b>582 818</b> |

**9 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Property Rates

**Total interest**

|                |                |
|----------------|----------------|
| 143 342        | 436 931        |
| <b>143 342</b> | <b>436 931</b> |

**10 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable Share

MAP

FMG □

MIG

MSIG □

Sports and □ Recreation □

Gijima □

Corridor Development

MSIG Revenue

Municipal Development Plan Capacity Buil

Valuation Roll Update Property rates Act

Grant- Grader

PMS

MFMA

Proj.cons -Public Participation

IDP

GIS Development Admin Capacity

|                   |                  |
|-------------------|------------------|
| 7 722 652         | 6 042 089        |
| 392 531           | 201 085          |
| 1 860 276         | 736 387          |
| 6 111 747         |                  |
| 938 326           |                  |
| 981 836           |                  |
| 241 274           |                  |
| 1 211 595         |                  |
|                   | 1 624 943        |
|                   | 504 728          |
|                   | (700)            |
|                   | 25 732           |
|                   | 48 441           |
|                   | 23 998           |
|                   | 182 595          |
|                   | 276 605          |
|                   | 239 753          |
| <b>19 460 238</b> | <b>9 905 655</b> |

**11 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages

Employee related costs - Contributions for UIF, pensions and medical aids

Travel, motor car, accommodation, subsistence and other allowances

Overtime payments

Other employee related costs

**Total Employee Related Costs**

|                  |                  |
|------------------|------------------|
| 4 482 416        | 1 995 821        |
| 505 004          | 375 581          |
| 775 483          | 2 974 270        |
| 319 190          | 62 040           |
| 251 281          | -                |
| <b>6 333 373</b> | <b>5 407 712</b> |

*Section 57 Employees remuneration included in Employee related costs Refer to Note 9.1 for more details*

## Section 57 Remuneration

### Remuneration of the Municipal Manager

|  |                |                |
|--|----------------|----------------|
| Annual Remuneration  | 525 145        | 475 447        |
| Performance- and other bonuses                                     | 44 755         | 46 273         |
| Travel, motor car, accommodation, subsistence and other allowances | 98 620         | 72 000         |
| Contributions to UIF, Medical and Pension Funds                    | 2 995          |                |
| <b>Total</b>   | <b>671 515</b> | <b>593 720</b> |

### Remuneration of the Chief Finance Officer

|  |                |                |
|--|----------------|----------------|
| Annual Remuneration  | 543 568        | 262 294        |
| Performance- and other bonuses                                     | -              | 11 624         |
| Travel, motor car, accommodation, subsistence and acting allowance | 111 447        | 407 925        |
| Contributions to UIF, Medical and Pension Funds                    | 35 399         |                |
| <b>Total</b>   | <b>690 414</b> | <b>681 843</b> |

### Remuneration for manager :Planning Services

|  |                |                |
|--|----------------|----------------|
| Annual Remuneration  | 486 326        | 440 237        |
| Performance- and other bonuses                                     | 40 412         |                |
| Travel, motor car, accommodation, subsistence and other allowances | 66 000         |                |
| Contributions to UIF, Medical and Pension Funds                    | 2 995          | 70 370         |
| <b>Total</b>   | <b>595 733</b> | <b>510 607</b> |

### Remuneration for manager :Corporate Services

|  |                |                |
|--|----------------|----------------|
| Annual Remuneration  | 357 662        | 403 968        |
| Performance- and other bonuses                                     | 40 879         |                |
| Travel, motor car, accommodation, subsistence and other allowances | 173 821        | 172 111        |
| Contributions to UIF, Medical and Pension Funds                    |                | 2 995          |
| <b>Total</b>   | <b>572 362</b> | <b>579 074</b> |

## REMUNERATION OF COUNCILLORS

|  |                  |                  |
|--|------------------|------------------|
| Executive Mayor                                    | 177 759          | 165 316          |
| Deputy Executive Mayor                             | -                | -                |
| Speaker  | -                | -                |
| Executive Committee Members                        | -                | -                |
| Councillors  | 600 571          | 736 842          |
| Councillors' pension and medical aid contributions | 115 609          | 112 037          |
| Councillors' allowances                            | 649 623          | 302 062          |
| <b>Total Councillors' Remuneration</b>             | <b>1 543 562</b> | <b>1 316 257</b> |

### In-kind Benefits

The Executive Mayor is provided with an office and secretarial support at the cost of the Council.

## 12 Employee Benefits

The Municipal employees belong to Natal Joint Municipal Pension Fund and Municipal Council Pension Fund, contributed amounts are paid over to the fund

### 13 DEPRECIATION AND AMORTISATION EXPENSE

|  |                  |                  |
|--|------------------|------------------|
| Property, plant and equipment              | 941 805          | 5 404 500        |
| Intangible assets                          | 90 741           | 230 137          |
| <b>Total Depreciation and Amortisation</b> | <b>1 032 546</b> | <b>5 634 637</b> |

### 14 FINANCE COSTS

|                            |               |              |
|----------------------------|---------------|--------------|
| Borrowings                 | 69 693        | 3 632        |
| <b>Total Finance Costs</b> | <b>69 693</b> | <b>3 632</b> |

### 15 GENERAL EXPENSES

Included in general expenses are the following:-

|   |                  |                  |
|---|------------------|------------------|
| Advertising   | 54 341           | 183 272          |
| Audit fees  | 490 091          | 4 893            |
| Bank charges  | 23 382           | 29 937           |
| Bursaries   | 315 205          | 49 947           |
| Entertainment                                       | 290 641          | 628 489          |
| Fuel and oil  | 202 736          | 115 975          |
| Insurance   | 85 738           | 143 471          |
| Legal expenses                                      | 60 597           | 121 933          |
| Licence fees - vehicles                             | 25 372           | 14 965           |
| Licence fees - computers                            | 59 469           | -                |
| Membership fees                                     | 13 688           | 2 105            |
| Postage   | 166 007          | 170 761          |
| Printing and stationery                             | 149 085          | 144 302          |
| Rental of office equipment                          | 709 010          | 600 159          |
| Telephone cost                                      | 227 234          | 76 877           |
| Training  | 340 023          | 618 436          |
| Water and Electricity                               | 214 303          | 239 658          |
| Vehicle lease                                       | 619 450          | 523 670          |
| Uniforms & overalls                                 | 28 994           | -                |
| Contributions (Leave, Bonus and bad debt provision) | 448 260          | 1 759 971        |
| Other   | 179 159          | 1 513 152        |
|   | <b>4 702 785</b> | <b>6 941 972</b> |

### 16 CASH GENERATED FROM OPERATIONS

#### Cash Receipts from Rate Payers Government and other

|  |            |           |
|--|------------|-----------|
| Sale of Goods and Services               | 4 430 285  | 3 318 170 |
| Grants Received                          | 19 744 297 | 9 905 655 |
| Interest Received                        | -284 059   | -582 818  |
| Other Receipts                           | 692 649    | 713 234   |
| Change in accounting policy (Note 25)    | 18 246 161 | 2 508 165 |
| VAT Writte off                           | 483 873    | -         |
| (Increase)/Decrease in debtors           | 1 339 062  | 617 525   |
| (Increase)/Decrease in VAT Receivable    | 856 152    | -         |
| (Increase)/Decrease in long term debtors | 23 871     | -         |

#### Total Cash Receipts from Rate Payers Government and other

**45 532 291**      **16 479 932**

#### Cash paid to suppliers and employees

|  |            |            |
|--|------------|------------|
| Employee Cost                              | 7 876 935  | 6 723 968  |
| Other Payments                             | 11 267 296 | 18 964 854 |
| Interest Paid                              | -69693     | -3 632     |
| Depreciation                               | -1032414   | -5 634 638 |
| Increase/(Decrease) in Provisions          | -1 114 787 | -          |
| Increase/(Decrease) in conditional grants  | 908 630    | -          |
| Increase/(Decrease) in trade payables      | 895 126    | 1 319 973  |
| Increase/(Decrease) in trade payables      | 0          | -          |
| Purchases of property, plant and equipment | 0          | -          |

#### Total Cash Paid to suppliers and employees

**18 731 093**      **21 370 525**

#### Cash Generated from operations

**26 801 198**      **-4 890 593**

Page 22

#### Reconciliation of Net Surplus to Cashflow Generated from operations

|                          |           |              |
|--------------------------|-----------|--------------|
| Net Surplus for the year | 5 722 999 | (11 751 763) |
|--------------------------|-----------|--------------|

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

Adjustment for:

Depreciation  
Interest paid  
Loss on Sale of Assets  
Interest earned  
Change in accounting policy (Note 22)  
VAT Write off  
(Increase)/Decrease in debtors  
(Increase)/Decrease in VAT Receivable  
(Increase)/Decrease in long term debtors  
Increase/(Decrease) in Provisions  
Increase/(Decrease) in conditional grants  
Increase/(Decrease) in trade payables

|            |            |
|------------|------------|
| 1 032 414  | 5 634 638  |
| 69 693     | 3 632      |
| -          | -          |
| (284 059)  | (582 818)  |
| 18 246 161 | 2 508 165  |
| 483 873    | 0          |
| 1 339 062  | 617 525    |
| 856 152    | 0          |
| 23 871     | 0          |
| 1 114 787  | 0          |
| -908 630   | 0          |
| -895 126   | -1 319 973 |

**Cash generated from operations**

|                   |                    |
|-------------------|--------------------|
| <b>26 801 198</b> | <b>(4 890 593)</b> |
|-------------------|--------------------|

**17 CORRECTION OF ERROR (Prior Year)**

The comparative amount has been restated as follows:

|  |                         |
|--|-------------------------|
| Housing Creditors  | 4 987 633               |
| Other Creditors not accounted in the prior year (included in the age analysis) | 665 728                 |
| Net effect on Trade and other Payables   | <u><b>5 653 361</b></u> |

VAT was not accounted for on expenditure resulting to understatement on VAT

|   |                         |
|---|-------------------------|
| VAT Receivable                            | 235 540                 |
| Housing Debtors                           | 3 945 499               |
| Net effect on Trade and other Receivables | <u><b>4 181 039</b></u> |

**Conditional grants expenditure was not allocated to relevant grants thus affecting operating income as follows:**

|   |                           |
|---|---------------------------|
| MAP Grant                                 | (1 134 458)               |
| Municipal wall / property rates act grant | 79 445                    |
| MPRA Unspent Portion                      | (304 000)                 |
| Project Consolidate                       | (1 238)                   |
| Grant Grader                              | (192 230)                 |
| Gis Development Support                   | 52 436                    |
| Land Use management Grant                 | 10 353                    |
| Net Effect on Unspent Conditional Grants  | <u><b>(1 489 692)</b></u> |

**Other write offs against the accumulated surplus include petty cash and sundry debtor**

|  |                     |
|--|---------------------|
| Petty Cash   | (10 330)            |
| Opening Balance captured erroneously in bringing opening balance | 2 602               |
| Sundry Debtors   | (13 172)            |
| Long Term debtor   | 23 871              |
|  | <u><b>2 972</b></u> |

Gijima Grant was not recognised as a liability on the 30 June 2010

|  |         |
|--|---------|
| Gijima Grant unspent as @ 30 June 2010 | 106 952 |
|--|---------|

**Net effect on Accumulated surplus opening balance**

|   |                    |
|---|--------------------|
|   | <b>(3 751 639)</b> |
| Housing Creditors                                   | (4 987 633)        |
| Housing Debtors                                     | 3 945 499          |
| 2008/2009 Bad debts written off                     | (852 689)          |
| VAT Recoverable                                     | 235 540            |
| Conditional Grants Expenditure                      | (1 489 692)        |
| Total Creditors not recognised in the prior year    | (665 728)          |
| Accrued Expense already included in total creditors | 69 093             |
| Other write offs                                    | (6 029)            |



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**18 PROPERTY, PLANT AND EQUIPMENT**

| <b>Reconciliation of Carrying Value</b>  | <b>Land<br/>R</b>   | <b>Buildings<br/>R</b> | <b>Infrastructure<br/>R</b> | <b>Community<br/>R</b> | <b>Total<br/>R</b>   |
|--|---------------------|------------------------|-----------------------------|------------------------|----------------------|
| <b>Carrying Values at 01 July 2009</b>   | <b>4 609 666.17</b> | <b>4 005 377.86</b>    | <b>4 170 976.66</b>         | <b>1 421 176.11</b>    | <b>14 207 196.80</b> |
| Cost                                     | 4 609 666.17        | 5 016 890.40           | 6 520 830.32                | 3 464 311.44           | 19 611 698.33        |
| Capital Under Construction               | -                   | -                      | -                           | -                      | -                    |
| Revaluation                              | -                   | -                      | -                           | -                      | -                    |
| Accumulated Depreciation                 | -                   | (1 011 512.54)         | (2 349 853.66)              | (2 043 135.33)         | (5 404 501.53)       |
| - Cost                                   | -                   | -                      | -                           | -                      | -                    |
| - Revaluation                            | -                   | -                      | -                           | -                      | -                    |
| Acquisitions / Write-Ons                 | -                   | 22 100 968.66          | 3 101 820.69                | 338 295.34             | 25 541 084.69        |
| Capital Under Construction               | -                   | 1 206 369.67           | 3 655 965.94                | -                      | 4 862 335.61         |
| - Current Year                           | -                   | 1 206 369.67           | 3 655 965.94                | -                      | 4 862 335.61         |
| - Capitalised                            | -                   | -                      | -                           | -                      | -                    |
| Increases / Decreases in Revaluation     | -                   | -                      | -                           | -                      | -                    |
| Depreciation                             | -                   | (169 381.14)           | (365 720.21)                | (406 704.06)           | (941 805.41)         |
| - Based on Cost                          | -                   | (169 381.14)           | (365 720.21)                | (406 704.06)           | (941 805.41)         |
| - Based on Revaluation                   | -                   | -                      | -                           | -                      | -                    |
| Carrying Value of Disposals / Write-Offs | (3 663 166.17)      | -                      | (25 559.08)                 | (861 469.45)           | (4 550 194.70)       |
| - Cost                                   | (3 663 166.17)      | -                      | (24 799.52)                 | (461 500.94)           | (4 149 466.63)       |
| - Accumulated Depreciation               | -                   | -                      | (759.56)                    | (399 968.51)           | (400 728.07)         |
| Impairment Losses                        | -                   | -                      | -                           | -                      | -                    |
| Other Movements                          | -                   | -                      | -                           | -                      | -                    |
| <b>Carrying Values at 30 June 2010</b>   | <b>946 500.00</b>   | <b>27 143 335.05</b>   | <b>10 539 003.12</b>        | <b>1 291 234.96</b>    | <b>39 920 073.13</b> |
| Cost                                     | 946 500.00          | 27 117 859.06          | 9 597 851.49                | 3 341 105.84           | 41 003 316.39        |
| Capital Under Construction               | -                   | 1 206 369.67           | 3 655 965.94                | -                      | 4 862 335.61         |
| Revaluation                              | -                   | -                      | -                           | -                      | -                    |
| Accumulated Depreciation                 | -                   | (1 180 893.68)         | (2 714 814.31)              | (2 049 870.88)         | (5 945 578.87)       |
| - Cost                                   | -                   | (1 180 893.68)         | (2 714 814.31)              | (2 049 870.88)         | (5 945 578.87)       |
| - Revaluation                            | -                   | -                      | -                           | -                      | -                    |



**19 INTANGIBLE ASSETS**
**Reconciliation of carrying value**
**Computer  
Software  
R'000**
**Total  
R'000**
**as at 1 July 2009**
**308 125**
**308 125**

Carrying Value

308 125

308 125

**Movements**

(57 630)

(57 630)

Acquisitions

263 248

263 248

Accumulated Amortisation

(230 137)

(230 137)

Amortisation

(90 741)

(90 741)

**as at 30 June 2010**
**250 495**
**250 495**

Net Carrying Value

250 495

250 495

**20 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade creditors

4 259 304

1 921 603

Payments received in advance

87 520

121 573

Site Deposits

326 900

-

Unallocated Deposits

230

21 582

Housing Development

75 231

-

Accruals

1 205 800

5 056 726

Other creditors

271 372

-

**Total creditors**
**6 226 357**
**7 121 484**
**21 PROVISIONS**

Performance bonus

(222 412)

(198 000)

Land fill site Provision

(769 660)

-

Provision for leave

(508 825)

(188 110)

**Total Provisions**
**(1 500 897)**
**(386 110)**

The movement in current provisions are reconciled as follows: -

|                            | Land field Site<br>Provision | Performance<br>Bonus | Provision for<br>leave | Provision for<br>Doubtful Debt | Total            |
|----------------------------|------------------------------|----------------------|------------------------|--------------------------------|------------------|
| <b>as at 1 July 2009</b>   | -                            | (198 471)            | (188 110)              | (1 474 698)                    | (386 581)        |
| Contributions to provision | (769 660)                    | 227 339              | (302 715)              | 395 166                        | 319 789          |
| Expenditure incurred       |                              | (251 281)            | (18 000)               |                                | (269 281)        |
| <b>as at 30 June 2010</b>  | <b>(769 660)</b>             | <b>(222 412)</b>     | <b>(508 825)</b>       | <b>(1 079 532)</b>             | <b>(336 072)</b> |

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.5%, over an average period of 20 years.

The bonus provisions relates to amounts not yet paid to Section 57 Employees due to the assessment process not yet finalised

## 22 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### Unspent Conditional Grants from other spheres of Government

|   |           |           |
|---|-----------|-----------|
| MIG Grants                              | 3 837 026 | 1 892 750 |
| Finance Management Grant                | 1 150     | 360 799   |
| MSIG                                    | 35 674    | 268 906   |
| MAP                                     | 76        | 392 608   |
| Sports and Recreation                   | 306 664   | 375 000   |
| Corridor Development                    | 740 044   | 1 951 639 |
| Gijima Grant                            |           | 106 952   |
| Municipal vall / property rates act grt |           | (79 445)  |
| Land Use Management Grant               |           | 10 353    |
| Project Consolidate                     |           | 1 238     |
| Grant Grader                            |           | 192 230   |
| Gis Development Support                 |           | 52 236    |
| MPRA Grant                              |           | 304 000   |

|  |                  |                  |
|--|------------------|------------------|
| <b>Total Unspent Conditional Grants and Receipts</b> | <b>4 920 635</b> | <b>5 829 265</b> |
|--|------------------|------------------|

See **Note 20** below for reconciliation of grants and receipts.

**23 GOVERNMENT GRANTS AND SUBSIDIES**

|   |                     |                    |
|---|---------------------|--------------------|
| Equitable share                             | (7 722 652)         | (6 042 089)        |
| MIG Grant                                   | (6 111 747)         |                    |
| Other Government Grants and Subsidies       | (5 625 839)         | (3 863 567)        |
| <b>Total Government Grant and Subsidies</b> | <b>(19 460 238)</b> | <b>(9 905 656)</b> |

**MIG Grant**

|  |                  |                  |
|--|------------------|------------------|
| <b>Balance unspent at beginning of year</b>            | 1 892 750        | -                |
| Current year receipts                                  | 8 056 024        | 3 914 000        |
| Conditions met - transferred to revenue                | (6 111 747)      | (2 021 250)      |
| <b>Conditions still to be met - remain liabilities</b> | <b>3 837 027</b> | <b>1 892 750</b> |

**FMG Grant**

|  |              |                |
|--|--------------|----------------|
| <b>Balance unspent at beginning of year</b>            | 360 798      | 755 141        |
| Current year receipts                                  | 1 500 000    | 500 000        |
| Conditions met - transferred to revenue                | (1 859 649)  | (735 343)      |
| <b>Other Adjustments</b>                               |              | (159 000)      |
| <b>Conditions still to be met - remain liabilities</b> | <b>1 149</b> | <b>360 798</b> |

**MAP Grant**

|  |           |                |
|--|-----------|----------------|
| <b>Balance unspent at beginning of year</b>            | 392 608   | 616 513        |
| Current year receipts                                  | -         | 950 000        |
| Conditions met - transferred to revenue                | (392 531) | (201 085)      |
| <b>Other Adjustments</b>                               |           | (972 820)      |
| <b>Conditions still to be met - remain liabilities</b> | <b>77</b> | <b>392 608</b> |

**MSIG Grant**

|  |               |                |
|--|---------------|----------------|
| <b>Balance unspent at beginning of year</b>            | 268 906       | 1 466 153      |
| Current year receipts                                  | 735 000       | 1 039 000      |
| Conditions met - transferred to revenue                | (968 232)     | (1 754 414)    |
| <b>Other Adjustments</b>                               |               | (481 833)      |
| <b>Conditions still to be met - remain liabilities</b> | <b>35 674</b> | <b>268 906</b> |

**Sports and Recreation Grant**

|  |                |                |
|--|----------------|----------------|
| <b>Balance unspent at beginning of year</b>            | 375 000        | -              |
| Current year receipts                                  | 913 500        | 375 000        |
| Conditions met - transferred to revenue                | (981 836)      |                |
| <b>Other Adjustments</b>                               |                |                |
| <b>Conditions still to be met - remain liabilities</b> | <b>306 664</b> | <b>375 000</b> |

**Corridor Development Grant**

|  |                |                  |
|--|----------------|------------------|
| <b>Balance unspent at beginning of year</b>            | 1 951 640      | -                |
| Current year receipts                                  |                | 3 750 000        |
| Conditions met - transferred to revenue                | (1 211 595)    | (1 798 360)      |
| <b>Other Adjustments</b>                               |                |                  |
| <b>Conditions still to be met - remain liabilities</b> | <b>740 045</b> | <b>1 951 640</b> |

**GIJIMA Grant**

|  |           |                |
|--|-----------|----------------|
| <b>Balance unspent at beginning of year</b>            | 106 952   |                |
| Current year receipts                                  | 134 323   | 106 952        |
| Conditions met - transferred to revenue                | (241 274) |                |
| <b>Conditions still to be met - remain liabilities</b> | <b>-</b>  | <b>106 952</b> |

**Municipal vall / property rates act grt**

|  |          |                 |
|--|----------|-----------------|
| <b>Balance unspent at beginning of year</b>            | (79 445) | 251 110         |
| Current year receipts                                  |          |                 |
| Other Adjustments                                      | 79 445   | (330 555)       |
| <b>Conditions still to be met - remain liabilities</b> | <b>-</b> | <b>(79 445)</b> |

**Land Use Management Grant**

|  |          |               |
|--|----------|---------------|
| <b>Balance unspent at beginning of year</b>            | 10 353   | 39 489        |
| Current year receipts                                  |          |               |
| Other Adjustments                                      | (10 353) | (29 136)      |
| <b>Conditions still to be met - remain liabilities</b> | <b>-</b> | <b>10 353</b> |

**Project Consolidate**

|  |          |              |
|--|----------|--------------|
| <b>Balance unspent at beginning of year</b>            | 1 104    | 4 210        |
| Current year receipts                                  |          |              |
| Other Adjustments                                      | (1 104)  | 3 106        |
| <b>Conditions still to be met - remain liabilities</b> | <b>-</b> | <b>1 104</b> |

**Grant Grader**

|  |           |                |
|--|-----------|----------------|
| <b>Balance unspent at beginning of year</b>            | 192 230   | 172 687        |
| Current year receipts                                  |           | 19 543         |
| Other Adjustments                                      | (192 230) |                |
| <b>Conditions still to be met - remain liabilities</b> | <b>-</b>  | <b>192 230</b> |

**Gis Development Support**

|  |          |               |
|--|----------|---------------|
| <b>Balance unspent at beginning of year</b>            | 52 436   | 200 000       |
| Current year receipts                                  |          |               |
| Other Adjustments                                      | (52 436) | (147 564)     |
| <b>Conditions still to be met - remain liabilities</b> | <b>-</b> | <b>52 436</b> |

**MPRA Grant**

|  |           |                |
|--|-----------|----------------|
| <b>Balance unspent at beginning of year</b>            | 304 000   | 304 000        |
| Current year receipts                                  |           |                |
| Other Adjustments                                      | (304 000) |                |
| <b>Conditions still to be met - remain liabilities</b> | <b>-</b>  | <b>304 000</b> |

**24 Audit fees**

|  |           |              |
|--|-----------|--------------|
| Opening balance                              | 5 577     | -            |
| Current year audit fee                       | 533 550   | 313 547      |
| Amount paid - current year                   | (539 127) | (307 970)    |
| <b>Balance unpaid (included in payables)</b> | <b>-</b>  | <b>5 577</b> |

**25 Changes In Accounting Policy**

|   |                   |
|---|-------------------|
| Statutory Funds                           | 4 112 515         |
| Revaluation Reserve                       | 4 761 776         |
| Disposal of Asset Reserve                 | 3 700             |
| Government Grant Reserve                  | 13 512 496        |
| Contributions from Operating Income       | 1 223 837         |
| Loans redeemed and other capital receipts | 4 237 624         |
| <b>Total</b>                              | <b>27 851 948</b> |

|   |                   |
|---|-------------------|
| <b>Implementation of GRAP</b>               |                   |
| Transferred to Accumulated Surplus          | 3 188 190         |
| Transferred to Future Depreciation Reserves | 19 029 121        |
| Written off against Backlog Depreciation    | 5 634 638         |
|   | <b>27 851 948</b> |

|   |                  |
|---|------------------|
| <b>Implementation of GRAP</b>                 |                  |
| <b>Balance previously reported -</b>          | <b>-</b>         |
| <b>Implementation of GRAP</b>                 | <b>5 634 638</b> |
| Backlog depreciation: Land and buildings      | 2 349 854        |
| Backlog depreciation: Infrastructure          | 1 011 513        |
| Backlog depreciation: Community               | 2 273 272        |
| Backlog depreciation: Other                   |                  |
| <b>Total (debited to Accumulated Surplus/</b> | <b>5 634 638</b> |

|  |                   |
|--|-------------------|
| <b>Accumulated Surplus/(Deficit)</b>                 |                   |
| Backlog depreciation                                 | 5 634 638         |
| Fixed Assets previously written off against reserves | (23 739 433)      |
| Fixed Assets recognised at current year              | 40 170 568        |
| Less: Under construction Assets already capitalised  | (3 819 612)       |
| <b>Accumulated Surplus/(Deficit)</b>                 | <b>18 246 161</b> |

**26 Fruitless and wasteful expenditure**

|   |                |
|---|----------------|
| <b>Reconciliation of fruitless and wasteful expenditure</b> |                |
| Opening balance -   | -              |
| Fruitless and wasteful expenditure awaiting condonement     | 617 000        |
|   | <b>617 000</b> |

Fruitless and wasteful expenditure for the current year is in relation to leases could not be classified as finance or operating leases due to discrepancies in lease agreements

**27 RESTATEMENT OF COMPARATIVE INFORMATION**

Provision for bonuses previously recognised as accruals have been reclassified as Provisions . The effect of the restatement is summarise below:

|   |         |         |
|---|---------|---------|
| <b>Statement of Financial Position:</b> |         |         |
| Provisions                              | 198 000 |         |
| Accruals - bonuses                      |         | 198 000 |

## 28 OPERATING LEASES

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows :

***One year motor vehicle leases due to end on the 31 August 2010***

|                         |               |
|-------------------------|---------------|
| Due within 12 months    | 41 450        |
| Due within 2 to 5 years | -             |
|                         | <b>41 450</b> |

## 29 CAPITAL COMMITMENTS

### Commitments in respect of capital expenditure

*Commitments relates to MIG projects that have already been registered by June 2010 for the 2010/11 financial year*

|                                       |                   |
|---------------------------------------|-------------------|
| - Approved but not yet contracted for | -                 |
| Infrastructure                        | 12 470 000        |
| <b>Total</b>                          | <b>12 470 000</b> |

This expenditure will be financed from:

|                           |                   |
|---------------------------|-------------------|
| - Government Grants (MIG) | 12 470 000        |
|                           | <b>12 470 000</b> |

## 30 CONTINGENT LIABILITY

### Debt Recovery Claim

There is a debt recovery matter claimed against Big 5 Municipality by uMngeni Municipality. The contingent liability relates to the land owned by the municipality outside the Big 5 False Bay jurisdiction.

**22 668**

## 31 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Note 33

## 32 RISK MANAGEMENT

### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and monitored monthly

Below are the liabilities or obligations due by the municipality within the next financial year

#### 2010

|                                 |           |
|---------------------------------|-----------|
| Gross finance lease obligations | 41 450    |
| Borrowings                      | -         |
| Trade and other payables        | 6 226 357 |
| Conditional Grants(Unspent)     | 4 920 635 |

#### 2009

|                                 |           |
|---------------------------------|-----------|
| Gross finance lease obligations | -         |
| Borrowings                      |           |
| Trade and other payables        | 7 121 484 |
| Conditional Grants(Unspent)     | 5 829 265 |

#### 2010

During the current financial year the municipality made payments after 30 days which was not in accordance with the MFMA act to the value of

**222 592**

#### 2010

### Unauthorised Expenditure

|   |        |
|---|--------|
| Opening balance                               | -      |
| Unauthorised Expenditure current year         | 52 232 |
| Condoned or written off by council            |        |
| Unauthorised eExpenditure awaiting condonment | 52 232 |

The amount of **52,232** is a result of over expenditure on the operating budget



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

**BIG 5 FALSE BAY MUNICIPALITY**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010**

| 33 | REVENUE                           | 2010 Actual       | 2010 Budget        | 2010 Variance      | 2010 Variance | Explanation of Significant Variance greater than 10 % versus Budget   |
|----|-----------------------------------|-------------------|--------------------|--------------------|---------------|---|
|    |                                   | R                 | R                  | R                  | %             |   |
|    | Property rates                    | 3 068 477         | 4 000 000          | 931 523            | 23%           | MPRA implementation challenges  |
|    | Service charges                   | 1 218 465         | 985 000            | (233 465)          | -24%          | Debt collection strategy to maximise collections  |
|    | Interest earned                   | 284 059           |                    |                    |               | Investments were not made as per the plan cash flow challenges  |
|    | Donations received                | 143 342           | 200 000            | 56 658             | 28%           |   |
|    | Fines, licences and permits       |                   | 316 100            | 32 041             | 10%           |   |
|    | Government grants and subsidies   | 4 158             | 5 000              | 842                | 17%           | The Traffic department is newly established thus systems are still being put in place to boost traffic fine revenue |
|    |                                   | 19 460 238        | 18 500 000         | (960 238)          | -5%           |   |
|    | Other revenue                     | 525 677           | 38 700             | (486 977)          | -1258%        | Includes the non refundable deposit on sale of land (not budgeted for in the 2009/10 Annual Budget)                 |
|    | Rental revenue                    | 162 815           | 170 400            | 7 585              | 4%            |   |
|    |                                   | <b>24 867 230</b> | <b>24 215 200</b>  | <b>652 030</b>     |               |   |
|    | <b>EXPENDITURE</b>                |                   |                    |                    |               |   |
|    | Employee related costs            | 6 333 373         | 7 015 700          | (682 327)          | -10.77%       | Vacancies only to be filled in the 2010/11 however budgeted for in 2009/10  |
|    | Councillor remunerations          | 1 543 562         | 1 101 902          | 441 660            | 28.61%        | Upper limit increases and travelling expenses   |
|    | Depreciation                      | 1 032 414         | 5 634 638          | -                  | 100%          | Not budget for  |
|    | Repairs and maintenance           | 158 837           | 586 000            | (427 163)          |               |   |
|    | Interest paid                     | 69 693            | -                  | -                  | 100%          | There were major repairs in the 2009/10   |
|    | Administration and other expenses | 4 702 785         | 9 619 398          | (4 916 613)        |               | Interest relates to the PI Fund paid out  |
|    | Contracted Services               | 2 170 240         | -                  | -                  |               | Due to cash flow constraints stricter majors have been put in place to cut on spending                              |
|    | Grant Expenditure                 | 3 133 327         | 3 611 656          | 478 329            |               | Budgeted for under administrative expenses  |
|    |                                   | <b>19 144 232</b> | <b>27 569 294</b>  | <b>(8 425 062)</b> |               |   |
|    |                                   | <b>5 722 999</b>  | <b>(3 354 094)</b> | <b>9 077 093</b>   |               |   |

**Big 5 False Bay Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2010

|                               | Cost / Revaluation |            |                    |             |                 | Accumulated Depreciation |              |           |                 | Carrying Value |
|-------------------------------|--------------------|------------|--------------------|-------------|-----------------|--------------------------|--------------|-----------|-----------------|----------------|
|                               | Opening Balance    | Additions  | Under Construction | Disposals   | Closing Balance | Opening Balance          | Depreciation | Disposals | Closing Balance |                |
|                               | R'000              | R'000      | R'000              | R'000       | R'000           | R'000                    | R'000        | R'000     | R'000           | R'000          |
| <b>Land</b>                   |                    |            |                    |             |                 |                          |              |           |                 |                |
| Land                          | 4 609 666          |            |                    | (3 663 166) | 946 500         |                          |              |           | -               | 946 500        |
|                               |                    |            |                    |             | -               |                          |              |           | -               |                |
|                               | 4 609 666          | -          |                    | (3 663 166) | 946 500         | -                        | -            | -         | -               | 946 500        |
| <b>Buildings</b>              |                    |            |                    |             |                 |                          |              |           |                 |                |
| Dwellings                     | 38 051             | -          |                    | -           | 38 051          | (2 693)                  | (1 267)      | -         | (3 961)         | 34 090         |
| Non Residential Structures    | 4 978 839          | 22 100 969 |                    | -           | 27 079 808      | (1 008 819)              | (168 114)    | -         | (1 176 933)     | 25 902 875     |
|                               |                    |            |                    |             | -               |                          |              |           | -               |                |
| <b>Infrastructure</b>         |                    |            |                    |             |                 |                          |              |           |                 |                |
| Drains                        |                    |            |                    |             | -               |                          |              |           | -               |                |
| Roads                         | 6 405 960          | 2 332 160  | 3 655 966          | (12 800)    | 8 725 321       | (2 335 116)              | (363 558)    | 760       | (2 697 915)     | 6 027 407      |
| Sewerage Mains & Purification | -                  | -          |                    | -           | -               | -                        | -            | -         | -               | -              |
| Electricity Mains             | 94 870             | -          |                    | -           | 94 870          | (12 870)                 | (1 896)      | -         | (14 766)        | 80 104         |
| Water Meters                  | -                  | -          |                    | -           | -               | -                        | -            | -         | -               | -              |
| Solid Waste Disposal          | 12 000             | 769 661    |                    | (12 000)    | 769 661         |                          |              |           |                 | 769 661        |
| Storm Water                   | -                  | -          |                    | -           | -               | -                        | -            | -         | -               | -              |
|                               |                    |            |                    |             | -               |                          |              |           | -               |                |
|                               | 11 529 720         | 25 202 789 | 3 655 966          | (24 800)    | 36 707 710      | (3 359 499)              | (534 835)    | 760       | (3 893 574)     | 32 814 136     |
| <b>Community Assets</b>       |                    |            |                    |             |                 |                          |              |           |                 |                |
| Recreation Grounds            | -                  | -          | 1 206 370          | -           | -               | -                        | -            | -         | -               | -              |
| Civic Buildings               | -                  | -          |                    | -           | -               | -                        | -            | -         | -               | -              |
| Cemeteries                    | 8 000              | -          |                    | -           | 8 000           | (1 867)                  | (266)        | -         | (2 134)         | 5 866          |
|                               |                    |            |                    |             |                 |                          |              |           |                 |                |
|                               | 8 000              | -          | 1 206 370          | -           | 8 000           | (1 867)                  | (266)        | -         | (2 134)         | 5 866          |
| <b>Total carried forward</b>  | 16 147 387         | 25 202 789 | 4 862 336          | (3 687 966) | 37 662 210      | (3 361 366)              | (535 101)    | 760       | (3 895 708)     | 33 766 502     |

**Big 5 False Bay Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2010

|                              | Cost / Revaluation |                   |                    |                    |                   | Accumulated Depreciation |                  |                |                    | Carrying Value    |
|------------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------------|------------------|----------------|--------------------|-------------------|
|                              | Opening Balance    | Additions         | Under Construction | Disposals          | Closing Balance   | Opening Balance          | Depreciation     | Disposals      | Closing Balance    |                   |
| <b>Total brought forward</b> | 16 147 387         | 25 202 789        | 4 862 336          | (3 687 966)        | 37 662 210        | (3 361 366)              | (535 101)        | 760            | (3 895 708)        | 33 766 502        |
| <b>Other Assets</b>          |                    |                   |                    |                    |                   |                          |                  |                | -                  | -                 |
| Motor vehicles               | 1 758 409          | -                 |                    | (270 333)          | 1 488 076         | (694 328)                | (230 545)        | 237 135        | (687 738)          | 800 338           |
| Computer Equipment           | 743 313            | 77 811            |                    | (92 608)           | 728 516           | (660 532)                | (43 618)         | 86 689         | (617 460)          | 111 056           |
| Other Assets                 | 139 524            | 149 432           |                    | (11 650)           | 277 307           | (85 486)                 | (40 372)         | 11 650         | (114 209)          | 163 098           |
|                              |                    |                   |                    |                    |                   |                          |                  |                | -                  | -                 |
|                              | 18 788 634         | 25 430 032        | 4 862 336          | (4 062 557)        | 40 156 109        | (4 801 713)              | (849 636)        | 336 234        | (5 315 115)        | 34 840 994        |
| <b>Finance Lease Assets</b>  |                    |                   |                    |                    |                   |                          |                  |                |                    |                   |
| Office Equipment             | 823 064            | 111 053           |                    | (86 910)           | 847 207           | (602 789)                | (92 169)         | 64 494         | (630 464)          | 216 743           |
| Other Assets                 | -                  | -                 |                    | -                  | -                 | -                        | -                | -              | -                  | -                 |
|                              | 823 064            | 111 053           | 4 862 336          | (86 910)           | 847 207           | (602 789)                | (92 169)         | 64 494         | (630 464)          | 1 477 671         |
| <b>Total</b>                 | <b>19 611 698</b>  | <b>25 541 085</b> | <b>4 862 336</b>   | <b>(4 149 467)</b> | <b>41 003 316</b> | <b>(5 404 502)</b>       | <b>(941 805)</b> | <b>400 728</b> | <b>(5 945 579)</b> | <b>39 920 073</b> |

**Big 5 False Bay Municipality**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2010

|                             | Cost / Revaluation |                   |                     |                    |                   | Accumulated Depreciation |                  |                |                  | Carrying value    |
|-----------------------------|--------------------|-------------------|---------------------|--------------------|-------------------|--------------------------|------------------|----------------|------------------|-------------------|
|                             | Opening Balance    | Additions         | Under Constructi on | Disposals          | Closing Balance   | Opening Balance          | Depreciation     | Disposals      | Closing Balance  |                   |
|                             | R'000              | R'000             | R'000               | R'000              | R'000             | R'000                    | R'000            | R'000          | R'000            | R'000             |
| Executive & Council         | 10 836 210         | 22 108 827        |                     | (3 319 024)        | 29 626 014        | 1 669 471                | 408 316          | 53 014         | 2 024 773        | 27 601 241        |
| Finance & Admin             | 1 025 168          | 479 859           |                     | (83 752)           | 1 421 275         | 805 776                  | 155 509          | 79 678         | 881 607          | 539 668           |
| Planning & Development      | 38 485             | 38 358            |                     | (10 997)           | 65 847            | 32 988                   | 6 835            | 9 043          | 30 780           | 35 067            |
| Health                      | 7 867              |                   |                     | (165)              | 7 702             | 7 596                    | 272              | 165            | 7 702            | -                 |
| Community & Social Services | 648 813            | 75 467            | 1 206 370           | (11 647)           | 712 632           | 487 608                  | 58 897           | 11 151         | 535 354          | 177 278           |
| Public Safety               |                    |                   |                     |                    |                   |                          |                  |                |                  |                   |
| Sport & Recreation          |                    |                   |                     |                    |                   |                          |                  |                |                  |                   |
| Environmental Protection    |                    |                   |                     |                    |                   |                          |                  |                |                  |                   |
| Waste Management            |                    |                   |                     |                    |                   |                          |                  |                |                  |                   |
| Road Transport              | 7 363 279          | 3 101 821         | 3 655 966           | (724 363)          | 9 740 737         | 2 631 200                | 402 718          | 248 159        | 2 785 759        | 6 954 978         |
| Water                       |                    |                   |                     |                    |                   |                          |                  |                |                  |                   |
| Electricity                 |                    |                   |                     |                    |                   |                          |                  |                |                  |                   |
| Other                       |                    |                   |                     |                    |                   |                          |                  |                |                  |                   |
| <b>Total</b>                | <b>19 919 823</b>  | <b>25 804 333</b> | <b>4 862 336</b>    | <b>(4 149 948)</b> | <b>41 574 207</b> | <b>5 634 638</b>         | <b>1 032 547</b> | <b>401 210</b> | <b>6 265 975</b> | <b>40 170 568</b> |

The total Carrying value includes intangible assets (see Note 19)

| Actual Income<br>2010 | Actual expenditure<br>2010 | Surplus / (Deficit)<br>2010 |
|-----------------------|----------------------------|-----------------------------|
| R                     | R                          | R                           |
| 24 867 231            | 19 144 231                 | 5 723 000                   |
| 17 511 358            | 3 015 838                  | 3 015 838                   |
| 3 432 741             | 9 671 427                  | 7 839 931                   |
|                       | 1 849 532                  | 1 583 209                   |
|                       | 1 606 864                  | 1 606 864                   |
|                       | 1 363 205                  | 1 363 205                   |
|                       | 107 385                    | 107 385                     |
| 3 923 132             | 916 974                    | 3 006 158                   |
| -                     | 613 006                    | 613 006                     |
| 24 867 230.83         | 19 144 231.43              | 5 722 999                   |
| 0                     | 0                          | 0                           |
| 0                     | 0                          | 0                           |
| 24 519 577            | 19 144 231 0               | 5 723 000                   |

**Community Services**  
Executive & Council  
Management  
Finance  
Corporate Services  
Technical  
Library  
Other  
Local Economic Development

**Subsidised Services**

**Economic Services**

**Trading Services**

**Total**

| Actual Income<br>2009 | Actual expenditure<br>2009 | Surplus / (Deficit)<br>2009 |
|-----------------------|----------------------------|-----------------------------|
| R                     | R                          | R                           |
| 13 937 058.00         | 20 064 986.00              | 6 127 928.00                |
| -                     | 2 818 936                  | 2 818 936.00                |
| 9 905 656             | 10 208 791                 | 303 135.00                  |
| 1 730 817             | 7 734 584                  | 379 931.00                  |
|                       | 1 696 145                  | 1 696 145.00                |
|                       | 1 438 947                  | 1 438 947.00                |
|                       | 176 430                    | 176 430.00                  |
| 2 300 585             | 967 923                    | (1 332 662.00)              |
|                       | 647 066                    | 647 066.00                  |
|                       | -                          |                             |
| 13 937 058.00         | 25 688 822.00              | (11 751 764.00)             |
| -                     | -                          | -                           |
| -                     | -                          | -                           |
| 13 937 058.00         | 25 688 822.00              | (11 751 764.00)             |